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STATE FOR EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, OCT. 23 -
OCT. 29

1.(U) Summary

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Brazil,s Agenda in Paraguay

12. (U) On 10/23, Brazilian Ambassador Valter Pecly Moreira, met with a local newspaper to discuss Brazil,s agenda in Paraguay. Brazil is focused on integration between the two states and seeks the peaceful solutions to controversies; it would have to create programs with Paraguay to simplify customs with integrated control and to facilitate commerce and the promotion of productive investments. Military cooperation between the two countries is of high importance for Brazil with the hopes of improving the armed forces of both countries. Ambassador Moraira also stressed the cooperation with Paraguay in the fight against piracy, all forms of contraband, drug and arms trafficking, and sexual exploitation of children. Judicial cooperation to accelerate the legal proceedings between the two countries is key. Moreira initiative with the press was a response to a string of controversies casting criticism at Brazil.

German Ambassador Responds to Duarte,s Dig

13. (U) On 10/24, German Ambassador to Paraguay, Dr. Horst-wolfram Kerll, sent a letter to a local newspaper, cleverly taking issue with President Duarte, the local newspaper quoted President Duarte during a recent trip to Spain qualifying Paraguay and South America,s poverty as legacy of its colonial past and maintaining Europe had an obligation to help Paraguay. The Ambassador pointed out that Europe imports products worth millions of Euros from developing countries and provides financial assistance to the GOP through Mercosur. The EU is the largest importer of goods produced by Mercosur. Germany has provided Paraguay much assistance in the area of technology. It,s not fault of Europe or Developed nations that countries that are rich in natural resources continue to live in extreme poverty. Rather, it is the responsibility of political leaders who implement unprincipled policies. Developing countries will remain poor until they effectively combat corruption, eliminate nepotism and address impunity.

Ambassador Working Up Until Departure

14. (U) On 10/27, Hours before departing post, the Ambassador granted radio and press interviews. He remarked on the strengthening of US and Paraguayan relations over the past two years and rejected the rumors that USG is interested in installing a military base and wants the Guarani aquifer. He stressed that a country such as Paraguay can not continue to survive on donations. Development is born and created by the people, and Paraguay needs to open its markets to private companies, so that the country can attract foreign investment. Upon conclusion of his remarks, the Ambassador drove across Paraguay,s border with Argentina into retirement from the Foreign Service and into the next chapter of his life.

Wichita Mayor Visits Paraguay

15. (U) On 10/25, Carlos Mayan, Mayor of Wichita arrived in Asuncion to offer his experience in managing municipalities and offered advised to administrators of the various metropolitan areas on how to resolve problem that afflict the city. Mayan,s advised on how to solve problems related to the collection of taxes, administration of the city and investment in public works. He stressed that for democracy to work citizens must develop a sense of responsibility.

Colorado Party Holds Convention

16. (U) On 10/23, A special convention was held by the ANR (National Republican Association, Colorado Party) to introduce changes in next year's internal elections based on a proposal by the ANR leadership headed by President Duarte. The convention appointed an electoral court which paved the way for electing party officials in February and separating the internal elections for municipal elections. It also increased the number of Executive Board members from 72 to 90. The dissidents, who were in obvious minority, left the convention when their request for secret voting was rejected, but left open the possibility to challenge the convention's decisions. Duarte,s supporter casted the conventions as a strong vote of confidence in Duarte,s leadership. (See Septel Report)

FBI Director Visits Paraguay

17. (U) On 10/27, Acting President Luis Castiglioni meet with FBI Director Robert S. Mueller, III, who arrived yesterday as part of a tour of several Latin American countries. Regarding his visit, Castiglioni said that one of the issues they discussed is the installation of an FBI office in the US Embassy, which is expected to start operating early in 2007. He announced that 20 prosecutors and police officers will travel to Washington in December for training at the FBI headquarters and that only two FBI agents will come to Paraguay to act as liaison between the FBI and local security organizations. Mueller also met separately with Interior Minister Rogelio Benitez, Supreme Court President Antonio Fretes, Newly appointed National Security Advisor Oscar German Latorre and National Police Commander Fidel Isasa. Issues discussed was the role of the future FBI office and expressed that they will be working together with their Paraguayan counterpart to combat transnational crime, including money laundering, arms and human trafficking, terrorism and narcotics. (See Septel Report)

Dominguez Runs For ANR President

18. (U) On 10/26, businessman Osvaldo Dominguez Dibb (ODD) announced that his candidacy for the presidency of the Colorado Party (ANR) signaling he had formed an alliance with Colorado dissidents to include Juan A. Ramirez Diaz de Espada and Alfredo "Goli" Stroessner (ODD,s), who are the leaders of the National Republican Reconstruction (RNR) movement, against the candidacy of President Nicanor Duarte Frutos in the upcoming ANR primaries programmed for February 2006. Ramirez, who was the RNR,s candidate for ANR president said he was ready to give up his candidacy to Dominguez in order to unify the dissident groups under one candidate in the upcoming elections. (COMMENT: Dominguez is one of the richest individual in Paraguay, notorious for his involvement in the sale of contraband, including pirated cigarettes. He ran against Duarte in the highly contested 2002 primaries for presidential candidate and nearly defeated Duarte. END COMMENT.)
JOHNSON